## ART'S CAFE CLASS C MEMBERSHIP & HISTORIC TAX CREDITS

\$907,380

IN ORE'S

20% + 20% =

TAX CRFDITS

\$362,952 TOTAL

**TAX CREDITS TO** 

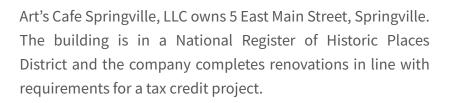
ACCO CLASS C

**TAX CREDITS TO** 

HAPPY INVESTOR +

**HAPPY COMMUNITY** 

INDIVIDUALS



The project is estimated to expend \$907,380 in renovation costs, including completed and planned work, which qualify for tax credits. These are called Qualified Rehabilitation Expenditures or QRE's. The Tax Credits are based on this amount.

Federal Tax Credits are equal to 20% of the QRE's. The State Tax Credit is also calculated on 20% of the QRE's. This means Art's Cafe Springville, LLC will have the ability to use \$181,476 in Federal Tax Credit and \$181,476 in State Tax Credit.

Art's Cafe Community Owners, LLC (ACCO) is set up to bring many smaller investors together into the project. Class C Members of ACCO are entitled to 99% of all earnings, credits or losses for the first five years. Art's Cafe Springville, LLC is owned 99% by ACCO.

Credits are distributed in proportion to ownership. If Class C receives 99% of the 99% owned by ACCO, the credits available to Class C = \$177,865 in Federal Credit & \$177,865 in State Credit.

\$300,000 in Class C Membership is offered to the public. The profits and credits are distributed proportionally to these members. The minimum of \$5,000 of investment is projected to receive \$2,964 in Federal Credit and \$2,964 in State Credit.

The project is completed. The community is benefited. The investor is happy they took the opportunity to save on their taxes.



The Fine Print: This advertisement is not an offering. No offering is made except by a prospectus filed with the Department of Law of the State of New York. The Department of Law and Attorney-General of the State of New York have not passed on or endorsed the merits of this offering. The securities referenced in this advertisement are available to New York State residents only. NY # R18-11298. Prospectus available by request or at DPO.ArtsCafeSpringville.com. Call 716-592-9038.

## HOW CAN YOU BENEFIT FROM HISTORIC TAX CREDITS?



How might you benefit from Historic Tax Credits? Let's imagine that you or your business invests in a company, and as a part of that investment you receive tax credits. In our example \$5,000 was invested and this results in the distribution of \$2,964 in Federal Credit and \$2,964 in State Credit to the investor.

> In a historic rehabilitation there are two credits to consider. The State Credit is refundable, meaning you would receive a check for the credit amount even if you had no State Tax liability. Keep in mind these are not deductions but credits which reduce your tax liability dollar for dollar.

There are limits to how much Federal Credit you can use in a given year based on your income level. This is something your tax adviser can help you with. You need to know what tax bracket you are typically in. If you have "passive" income from rental properties or partnerships you may be able to use additional credit.

HOW MUCH CREDIT CAN YOU USE?

DO YOU

**QUALIFY?** 

TWO

DIFFERENT

**CREDITS** 

WHAT IS

RATF?

YOUR TAX

Most people have only "active" income such as salary or income from a business. Unlike other credits, Historic Tax Credits may be used to offset "active" income. To find out how much Federal Tax Credit you can use in one year to offset "active" income, multiply your tax rate by \$25,000. (12% tax bracket x \$25,000 = \$3,000 in Federal Credit that can be used in one year)

The credits may be carried forward but most people will want to utilize the credit all at once. In our example \$2,964 in Federal Credit is distributed. Do you have a typical federal tax liability of at least \$2,964? Remember, the State Credit is refundable, so does not factor in to this calculation. For income levels over \$200,000, the ability to use the Federal Historic Tax Credit against active income begins to phase out.

**EXAMPLE: A Retired Couple with a Joint Income of \$72,000 and no passive income** This couple is in the 12% tax bracket and is allowed to use only 12% of \$25,000 (\$3,000) in Federal Credits against their regular active income in one year. \$5,000 of investment in our example generates \$2,960 in Federal Credit and \$2,960 in State Credit.

Total Investment	\$5,000
Five Units Federal Tax Credit Portion	\$2,964
Five Units State Tax Credit Portion	\$2,964
Minus 12% Income Tax on State Portion	(\$356)
Net Value of Tax Credits	\$5,572